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LATTAKIA AND TARTOUS HIGHWAY PROJECT

Highway engineering 1 of 1 Highway Law Loans GP00/176 signed 1/8/81 Rec 1/12/81 GB 7056598 N800/6838

Agreement Between the
UNITED STATES OF AMERICA
and SYRIA

Signed at Damascus September 28, 1978

NOTE BY THE DEPARTMENT OF STATE

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SYRIA

Lattakia and Tartous Highway Project

Agreement signed at Damascus September 28, 1978;
Entered into force September 28, 1978.

LOAN AGREEMENT
BETWEEN
THE SYRIAN ARAB REPUBLIC
AND
THE UNITED STATES OF AMERICA
FOR
LATTAKIA - TARTOUS HIGHWAY PROJECT
(2760017)

Date: SEPTEMBER 28, 1978

PROJECT LOAN AGREEMENT BETWEEN THE SYRIAN ARAB REPUBLIC ("BORROWER") AND THE UNITED STATES OF AMERICA, ACTION THROUGH THE AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.")

ARTICLE I

The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Borrower of the Project described below and with respect to the financing of the Project by the Parties.

ARTICLE II

The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex I, will consist of engineering services for the design and construction supervision and the construction services needed to construct an 83 kilometer, four lane divided highway from Lattakia to Tartous.

Within the limits of the above definition of the project, elements of the amplified description stated in Annex I may be changed by written agreement of the authorized representatives of the Parties named in Section 9.2. without formal amendment of this agreement.

ARTICLE III

Financing

SECTION 3.1. The Loan. To assist the Borrower to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, [1] agrees to lend the Borrower under the terms of this Agreement not to exceed Sixty Million United States ("U.S.") dollars ($60,000,000) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "Principal". The Loan may be used only to finance foreign exchange costs, as defined in Article VII, of goods and services required for the Project.

SECTION 3.2. Borrower Resources for the Project. The Borrower agrees to provide or cause to be provided for the Project all funds, in addition to the Loan, and all other resources required to carry out the Project effectively and in a timely manner.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is December 31, 1985, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services

[1] 75 Stat. 424; 22 U.S.C. § 2151 note.

financed under this Loan will have been performed and all goods financed under the Loan will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Loan for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 8.1 no later than twelve (12) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Borrower, may at any time or times reduce the amount of the Loan by all or any part thereof for which requests for disbursement accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

ARTICLE IV
Loan Terms

SECTION 4.1. Interest. The Borrower will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of three (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance will accrue from the date (as defined in Section 8.3) of each respective disbursement, and will be payable semi-annually. The first payment of interest will be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 4.2. Repayment. The Borrower will repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement of the Loan in sixty-one (61) approximately equal semi-annual installments of Principal and interest. The first installment of Principal will be payable nine and one-half (9½) years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 4.3. Application, Currency, and Place of Payment. All payments of interest and Principal hereunder will be made in U.S. dollars and will be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

SECTION 4.4. Prepayment. Upon payment of all interest and any refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

SECTION 4.5. Renegotiation of Terms.

(a) The Borrower and A.I.D agree to negotiate, at such time or times as either may request, an acceleration of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of the Syrian Arab Republic, which enable the Borrower to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to Section 9.1, and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to Section 9.1, the name and address of the person or persons who will represent the requested Party in such negotiations.

(d) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under subsection (c). The negotiations will take place at a location mutually agreed upon by the representatives of the Parties, provided that, in the absence of mutual agreement, the negotiations will take place at the office of Borrower's Minister of State for Planning Affairs in the Syrian Arab Republic.

SECTION 4.6. Termination on Full Payment. Upon payment in full of the Principal and any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under it will cease.

ARTICLE V

Conditions Precedent to Disbursement

SECTION 5.1. First Disbursement. Prior to the first disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance acceptable to A.I.D.:

(a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;

(b) A statement of the name of the person holding or acting in the office of the Borrower specified in Section 9.2, and of any additional representatives, together with a specimen signature of each person specified in such statement;

(c) A signed and executed contract with a U.S. Engineering Firm for services relating to engineering design, preparation of construction plans and construction tender documents.

SECTION 5.2. Disbursement for Construction Services. Prior to disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, for any purpose other than to finance the engineering services referred to in Section 5.1, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance acceptable to A.I.D.:

(a) A signed and executed contract with a U.S. Engineering Firm for services relating to supervision of construction;
(b) A signed and executed contract with a U.S. Construction Contractor(s) for construction services required for the Project;
(c) Evidence that the necessary Right-of-Way for the highway project has been acquired;
(d) Evidence that roads of sufficient capacity are planned for connection with the northern and southern terminal points of the Project; and
(e) A plan for the reimbursement of the persons and families holding land as right-of-way for the Project.

SECTION 5.3. Notification. When A.I.D. has determined that the Conditions Precedent specified in Section 5.1. and 5.2. have been met, it will promptly notify the Borrower.

SECTION 5.4. Terminal Dates for Conditions Precedent.

(a) If all of the conditions specified in Section 5.1. have not been met within 300 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Borrower.
(b) If all of the conditions specified in Section 5.2. have not been met within three (3) years from the date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Loan, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Borrower. In the event of such termination, the Borrower will repay immediately the Principal then outstanding and any accrued interest, on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate.

ARTICLE VI

Special Covenant

SECTION 6.1. Vehicle Weight Control. The Borrower will take such steps as shall be reasonably required to insure that dimensions and axle loads of vehicles using the Project highway are consistent with the design standards of the Project and that within two years from the signing of this Agreement, or such period as A.I.D. otherwise agrees

in writing, the laws and regulations related to such dimensions and axle loads will be duly enforced and observed.

ARTICLE VII

Procurement Source

Disbursement pursuant to Section 8.1. will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Loan Standard Provisions Annex,[1] Section C.1 (b) with respect to marine insurance.

ARTICLE VIII

Disbursements

SECTION 8.1. Disbursements for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or (B) requests for A.I.D. to procure commodities or services in Borrower's behalf for the Project; or

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letter of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Borrower in connection with Letters of Commitment and Letters of Credit will be financed under the Loan unless the Borrower instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Loan.

SECTION 8.2. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Parties may agree to in writing.

SECTION 8.3. Date of Disbursement. Disbursements by A.I.D. will

[1] Not printed herein. The annex is deposited in the archives of the Department of State where it is available for reference.

be deemed to occur on the date on which A.I.D. makes a disbursement to the Borrower or its designee, or to a bank, contractor, or supplier pursuant to a Letter of Commitment, contract, or purchase order.

ARTICLE IX

Miscellaneous

SECTION 9.1. Communications. Any notice, request, documents, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following address:

TO THE BORROWER:

Mail or Cable Address: State Planning Commission
Damascus, Syrian Arab
Republic

To A.I.D.:

Mail or Cable Address: United States Agency for
International Development
Embassy of the United States
Damascus, Syrian Arab Republic

Alternate address for
cables: USAID/DAMASCUS

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 9.2. Representatives. For all purposes relevant to this Agreement, the Borrower will be represented by the individual holding or acting in the office of Deputy Minister of State for Planning Affairs and A.I.D. will be represented by the individual holding or acting in the office of the A.I.D. Mission Director to the Syrian Arab Republic, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex I. The names of the representatives of the Borrower, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 9.3. Standard Provisions Annex. A "Project Loan Standard Provisions Annex" (Annex II)[1] is attached to and forms part of this Agreement.

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[1] See footnote 1, p. 6.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

THE SYRIAN ARAB REPUBLIC

By: GEORGE HORANIYEH

George Horaniyeh

Title: *Minister of State for Planning Affairs*

THE UNITED STATES OF AMERICA

By: TALCOTT W. SEELYE

Talcott W. Seelye

Title: *Ambassador of the United States of America*

ANNEX 1

Project Description

A. Project Purpose

The purpose of the project is to facilitate the flow of the goods and services to and from the rural areas and urban centers in the northwest of Syria; reduce the vehicle operating and maintenance costs and the transportation charges; support the enhanced seaport capabilities being developed at Tartous and Lattakia: facilitate the movement of transit trade to and from the south central Syria, Jordan and points south by linking the seaports with the national highway network; generate increased agricultural/industrial production by improved highway user cost savings.

B. Project Activities

The Project consists of the design and construction of approximately 83 kilometers of new, limited access four-lane divided highway extending from Tartous north to Lattakia. Specifically, the project will include the following elements:

(1) Acquisition of the necessary right-of-way and the equitable relocation of the persons displaced by the project;

(2) Contracting with a U.S. consulting engineering company to carry out the final design of the project including the selection of the final alignment to minimize negative socio-environmental impacts, the preparation of the design plans, the specifications and the estimates, the preparation of the tender documents for procurement of the construction services, and the assistance to the borrower in bid evaluation and award;

(3) Contracting with a U.S. engineering consulting company for inspection and construction supervision services; and

(4) Contracting with a U.S. construction contractor to construct the project.

The loan will finance the United States dollar costs of the above activities in a total amount not to exceed the amount of the loan. The Borrower shall finance the local currency costs of the project activities, as well as any foreign exchange costs in excess of those available under the loan which are necessary to complete the project.

C. Financial Plan

The total project costs, as estimated from feasibility studies and preliminary engineering designs, and sources of financing are expected in the following general magnitudes (all the amounts expressed in millions of United States dollars):

ITEMS	BORROWER		AID	TOTAL
	L.C.	Forex		
Right-of-Way	10.0	0.0	0.0	10.0
Consulting Services	3.0	0.00	4.9	7.9
Construction	25.4	0.0	50.0	75.4
Contingencies	4.3	3.1	5.1	12.5
Escalation	11.1	15.1	0.0	26.2
Subtotals	53.8	18.2	60.0	132.0

D. Evaluation

Throughout the implementation stages, there shall be periodic evaluation reports concerning primarily the implementation progress of the Project. The parties shall work out the precise nature and timing of such reports through project implementation letters.

Within twelve months after the completion of the Project, an end-of-Project report shall be prepared. The substance of such report shall be determined through project implementation letters; it is anticipated that attention shall be given to evaluating the effectiveness of the pedestrian and livestock underpasses if included in the Project, and what, if any, benefits they may have in minimizing the isolation of areas, etc.

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